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TESTIMONY OF SHELDON TOUBMAN IN OPPOSITION TO PROPOSED CUTS TO LOW-INCOME CONNECTICUT RESIDENTS IN HB 1013

Good evening, Members of the Appropriations Committee:

My name is Sheldon Toubman, and I am a staff attorney with New Haven Legal Assistance Association. I am testifying concerning the Governor's proposed cuts to the safety net for low-income Connecticut residents. First, in general, we support the Governor's budget because it is an honest one and it attempts to balance the need for more revenue with budget cuts. In addition, there are some affirmatively good things in the budget for low-income residents, like including smoking cessation for all Medicaid enrollees and finally moving the HUSKY population out of the inefficient capitated HMOs and into an ASO with statewide PCCM and other care management options, for all Medicaid enrollees.

Nevertheless, there are several harmful cuts in the budget. And while the Governor appropriately says there must be "shared sacrifice," the state's poor have **already made that sacrifice** over several years of Rell Administration budgets, even before the recession hit. So we should instead increase taxes on Connecticut's wealthiest residents a little more, as provided in the Better Choice Coalition agenda (attached) -- that would be a far fairer form of sacrifice.

I just want to mention three of the harmful proposed cuts in the Governor's budget - one of them is penny-wise, pound-foolish, one is unconstitutional, and one is just plain wrong.

First, imposing copays on Medicaid recipients is something this legislature has repeatedly done, and **repealed**, on short order, because of the harm that these seemingly small copays have caused. What we found is that, even with copays as little as 50 cents, a significant percentage of the low-income population simply goes without some of their prescriptions, resulting in medical complications which often require very expensive hospital-based care. In addition to our own experience in Connecticut, many studies over several years have concluded this. Most recently, a December 2010 report by the Robert Wood Johnson Foundation found: "Cost-sharing increases are associated with adverse outcomes for vulnerable populations. Elderly, chronically ill, and welfare patients had increased expenditures for emergency department visits and hospitalizations when cost sharing for prescription drugs was increased." (summary at <http://www.rwjf.org/files/research/121710.policysynthesis.costsharing.brief.pdf>)

The copays proposed by the Governor are even worse than those drug copays adopted and quickly repealed by the legislature in the past, because they apply both to prescription drugs and other services; although there is a \$20 monthly cap on drug copays, that does not apply to the additional copays for doctor visits and other health services. In addition, at the time those copays previously were passed, there at least was a federal law which prohibited providers from refusing to serve Medicaid patients if they said they could not afford the copays. That federal law protection has now been removed, so they will simply go without their drugs without these

copays.

Second, the proposal to cut food stamps benefits for legal immigrants, down to 50% of what citizens receive, besides being unfair and a significant cut to the safety net, is unconstitutional. Just last month, a federal district court in Washington granted an injunction against that state for eliminating food stamp benefits for legal non-citizens not eligible for federally-funded food stamps, i.e., the same group which the governor's proposed cut is directed against. *See Pimentel v. Dreyfus*, Case No. C11-119 MJP (W.D. Wash., Feb. 17, 2011). The court ruled that this was discrimination by a state on the basis of alienage, which is subject to "strict scrutiny," and it failed that scrutiny because a state's desire to save money does not meet that high standard. It does not matter whether a state intends total elimination of the state-funded benefits for legal non-citizens, as in Washington, or the reduction of the benefits relative to citizens, as here; either involves prohibited discrimination on the basis of alienage.

Third, the Governor's proposal to reduce the Medicaid benefits for the new Low Income Adult (LIA) coverage group would take a major step backward on access to health care. While it is unclear exactly what those cuts would be, the relegation of second-class citizenship for this population is inappropriate. Please keep in mind that advocates supported the move to include the former SAGA medical population under the federal Medicaid program through the new LIA program because (1) the SAGA medical program benefits had been significantly restricted over the years, with one period seeing additional benefits (like home health services, medical equipment, medical transportation) removed each year; (2) Medicaid has broader benefit protections; and (3) this would allow Connecticut to get back 50 cents for every dollar spent for health care for this population.

When Connecticut last year became the first state in the country to opt to be an "early adopter" of Medicaid coverage for this population under federal health care reform, which will require coverage for them in 2014, DSS followed the recommendation of advocates to provide the identical benefits to the new Medicaid population as to the existing Medicaid populations. Now, the Governor proposes to take this away, allowing Connecticut to opt to only provide an "alternative benefit package" to the roughly 60,000 Medicaid enrollees on LIA. Even if the cuts, relative to all other Medicaid enrollees, may be small for **this year**, once the door is opened, then **next year** it will be a lot easier, when we likely are still facing a deficit, to cut the benefits further, and we will be back where we were with SAGA medical being cut further each year.

Especially since the low income guideline for LIA enrollees is the same as the low income guideline for aged, blind and disabled Medicaid enrollees (\$506 per month exclusive of disregard in most parts of the state, \$610/month in Fairfield County), there is no reason to treat them in any way differently. They are not in any better position to pay for health services that will no longer be covered under the proposed new "second class" Medicaid benefit. Please stand firm and maintain the principle that all Medicaid enrollees should have the same meaningful benefit package.

Thank you for the opportunity to speak with you this evening.

Better Choices For CT

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Did you know that Connecticut's wealthiest families pay a much *smaller* share of their income in state and local taxes (4.9%) than Connecticut's middle-income families (9.9%) and low-income families (12%)?

The FY2012 Better Choices for Connecticut Plan

- Reform the personal income tax to increase income taxes for those who can best afford it and provide relief for struggling families through a State Earned Income Tax Credit. Estimated \$785 million.
- An additional \$620 million can be gained by placing a temporary surtax on high-income households to recapture windfall achieved through the continuation of Bush-era tax cuts.
- Reduce unaffordable sales and business tax subsidies. Many tax expenditures provide limited or no social or economic benefit and go unchecked from year to year. Up to \$1.72 billion.
- Close corporate income tax loopholes through mandatory combined reporting. Flaws in our tax code allow large, multi-state corporations to artificially shift profits to subsidiaries in states without corporate income taxes, thereby costing the state millions of dollars and shifting responsibility for taxes onto local businesses and individuals. Up to \$88 million.
- Restore previous rates on the Gift & Estate Tax. At a time of unprecedented state budget deficits, Connecticut simply cannot afford reductions to the gift and estate tax. Estimated \$50 million or more.
- Restore the scheduled Petroleum Gross Earnings Tax rate increase. As gas prices soared in 2008, Connecticut eliminated a scheduled 0.5% increase which should be restored now that crude oil prices have fallen nearly 40%. Estimated \$20-\$25 million.
- Reform the corporate income tax and apply a proportional tax to large "pass-through" businesses so that similarly situated businesses are taxed equally. Estimated \$100-\$300 million.
- Broaden the sales tax base to include services. A sales tax that broadly applies to services would not only increase tax fairness, but could raise significant revenue while at the same time allowing for a lower overall sales tax rate. Up to \$1.6 billion.
- Tax excess profits on electricity generators. Windfall profits accruing to for-profit electricity generators because of deregulation could be a significant source of revenue and relief to rate payers. Estimated \$400 million.

There are Better Choices for Connecticut.

Better Choices for Connecticut is a broad-based community coalition that supports a balanced and equitable revenue system that reflects the priorities and values of the state's residents.

For more information, contact Jamey Bell (203) 498-4240 or Paul Filson (860) 251-6091